

Facts for Consumers

**Easy
Credit?**

**Not
So
Fast!**

The
Truth
About
Advance-
Fee
Loans



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer and Business Education
1-877-FTC-HELP www.ftc.gov

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The vast majority of lenders are owned and managed by legitimate professionals. But fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms definitely are in business. One of their favorite strategies is the “advance-fee” loan. That’s when they guarantee you’ll get a loan or other type of credit — but you must pay before you apply.

Recognizing An Advance-Fee Loan Scam

Advertisements that promise loans generally appear in the classified section of local and national newspapers and magazines, and on the Internet. They also may appear in radio advertisements, on local cable stations, and in flyers circulated in neighborhoods, shopping centers and at military bases. Often, these ads feature “900” numbers, which result in charges on your phone bill, or toll-free “800” numbers. Unfortunately, advertising in recognized media outlets or on the Internet does not guarantee the legitimacy of the company behind the ad. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Some companies claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars. Indeed, small businesses have been charged as much as several thousand dollars as an advance fee for a loan. Whether you are an individual consumer or an owner of a small business, the result is the same: you don’t get your money; the con artist does. And once con artists get your money, they disappear.

Don’t confuse a legitimate pre-approved credit offer with a legitimate pre-qualified offer from mortgage brokers, banks, savings and loans, and credit unions. A pre-approved offer requires only your verbal or written acceptance. A pre-qualified offer means you’ve been selected to apply. However, you still must go through the normal application process, and you still can be turned down.

Protecting Yourself

According to the Telemarketing Sales Rule, if someone guarantees or suggests that there is a strong chance they can get or arrange a loan or other form of credit for you, it’s against the law to ask you to pay — or accept payment — for their service until you get your loan or credit.

Here are some points to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Legitimate lenders never “guarantee” or say that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit or a bankruptcy.
- If you apply for a real estate loan, it is accepted and common practice for lenders to request payment for a credit report or appraisal. However, legitimate lenders never ask you to pay for processing your application.
- Never give your credit card account number, bank account information or Social Security Number over the telephone or Internet unless you are familiar with the company and know why the information is necessary.

• If you don't have the offer in hand — or confirmed in writing — and you are asked to pay, don't do it. It's fraud and it's against the law.

If You Are A Victim

If you think you've been a victim of an advance-fee loan scam, contact your local consumer protection agency, state Attorney General or local Better Business Bureau (BBB) to report the company.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: toll free, at 1-877-FTC-HELP (382-4357), TDD 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580; or online at www.ftc.gov — click on Complaint Form.

Finding Low-Cost Help for Credit Problems

It's a good idea to solve your debt problems with your creditors as soon as you realize you won't be able to make your payments. If you can't resolve your credit problems yourself or need additional help, you may want to contact a credit counseling service. There are nonprofit organizations in every state that counsel and educate individuals and families on debt problems, budgeting and using credit wisely. These organizations work directly with your creditors to help resolve your debt problems by negotiating a repayment schedule that is affordable for you and acceptable to the creditor. There is little or no cost for these services.

Universities, military bases, credit unions, and housing authorities also may offer low- or no-

cost credit counseling programs. Check the white pages of your telephone directory for a service near you.

For More Information

To learn about your rights under the Telemarketing Sales Rule and how to protect yourself from fraudulent telephone sales practices, request a free copy of *Straight Talk About Telemarketing*. Contact: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580; toll free, at 1-877-FTC-HELP (382-4357); TDD 202-326-2502. You also may want to request a copy of *Best Sellers*, a complete list of the FTC's consumer and business publications. Most of the brochures listed on *Best Sellers* also are available at www.ftc.gov — click on Consumer Protection.

The following organizations have additional information.

American Financial Services Association
Education Foundation
919 18th Street, NW
Washington, DC 20006
www.afsaef.org

National Association of Consumer Agency
Administrators
1010 Vermont Avenue, NW, Suite 514
Washington, DC 20005

Navy Personnel Command
Personnel and Family Readiness (PERS-662C3)
5720 Integrity Drive, Building 768
Millington, TN 38055-6620